PAPER B



Purpose: For Decision

Committee report

Committee REGULATORY COMMITTEE

Date 10 DECEMBER 2012

Title DETERMINATION OF THE TABLE OF FARES IN

RESPECT OF HACKNEY CARRIAGES

Report of STUART LOVE, STRATEGIC DIRECTOR OF

ECONOMY AND ENVIRONMENT

EXECUTIVE SUMMARY

1. This paper recommends the continued adoption of the methodology used to determine the Table of Fares. The costs of running a car published by the Automobile Association (AA) will form part of the method, along with some financial adjustments to represent additional or local costs attributed to the Island taxi trade.

2. To maintain the taxi fares at their existing level with the exception of increase tariff 1 in the table fares due to higher fuel costs since the last fare increase in 2010 and to bring the cost per mile in line with the national average fare.

BACKGROUND

- Individuals who wish to use a vehicle for hire and reward require licensing by the local authority under Part II of the Local Government (Miscellaneous Provisions) Act 1976 (the Act). Licensed vehicles are also regulated under the Town Police Clauses Act 1847.
- A vehicle referred to as a Hackney carriage under this legislation is required to have a taximeter which dictates the maximum fare a proprietor may charge for each journey.
- 5. Under section 65 of the act, a local authority may fix the rates or fares and all other charges in connection with the hire of a vehicle or with the arrangements for the hire of a vehicle in respect of Hackney carriages. This is referred to as a "table of fares" and this tariff is to be displayed in each Hackney carriage.
- 6. There is no standard method for calculating fares. Each local authority has to determine how the fares should be calculated or determined and the method

- 7. chosen has to be fair and appropriate. Many authorities liaise with the local taxi associations or simply add a percentage increase based on the current level of inflation. Members need to determine if the formula for calculating the table of fares is appropriate.
- 8. A decision was taken by the Licensing and General Purposes Committee on 12 December 2011 to adopt the current formula for calculating fares using for the cost of running a car produced by the AA.
- 9. There is not a universal way of calculating fares. Each local authority need to agree a method which they feel is fair and proportionate.
- 10. Members also agreed at the same meeting to continue to review the table of fares annually in November.
- 11. The Isle of Wight Council's current table of fares detailing the maximum fare a hackney carriage proprietor may charge has been attached as appendix 1. The table of fares was last modified in January 2011 when a maximum charge for credit card payments was amended from 3% to 10%.
- 12. The table of fares is split in to four tariffs, the use of varying tariffs for different times of days and the type of journey is common practice throughout the country. Extra charges are also commonly permitted for luggage, carrying animals and tolls/parking charges etc.
- 13. The fare increases at the beginning of each 440 yards (1/4 mile).
- 14. A review has recently been carried out using the agreed calculation process in order to ascertain whether an increase in the fares is necessary. The calculation formula is;

The average cost of running a vehicle per mile supplied by the AA, multiplied by Average taxi mileage, plus average IW Salary (lower group) plus Hackney carriage licence fee plus, additional cost for insurance and maintenance divided by average paid miles = COST PER MILE

- 15. The fares calculator for 2012, using AA figures for June 2012, is attached as appendix 2. The letter sent out to all proprietors as detailed in paragraph 22 of this report was based on this calculation.
- 16. The following information will provide the committee with a comparison of the current fares on the Island against other areas in the country.

(a) Flag Drop

Flag drop refers to the initial charge at the start of the journey and would be the minimum charge of a taxi fare. The current table of fares has a flag drop on tariff 1 (initial charge on meter) of £3.00 which covers the first half mile of any journey. The national flag drop average is £2.67 and the average for the south is £2.86.

(b) Cost per Mile

The current table of fares is based on an average cost per mile of £1.60. The national average is £1.80 and the average for the south is £1.94.

(c) Two Mile Journey

A two mile journey using the current tariff 1 fare charged on the Isle of Wight is £5.40. This places the Island fare as the 194th out of 363 local authority areas.

The national average for a two mile journey using tariff 1 is £5.46 and the average in the south is £5.92.

The most expensive is Luton Airport at £7.30 and the cheapest being Bolsover at £2.80.

(d) Five Mile Journey

Based on the current table of fares, the cost of a five mile journey using tariff 1 on the Isle of Wight is £10.20.

The national average for a five mile journey using tariff 1 is £10.89 and the average in the south is £11.69.

- 17. The average fares and comparisons were obtained from the table published in the September 2012 edition of Private Hire Monthly, a recognised national publication for the taxi trade.
- 18. There is no real explanation as to why there is such a huge difference between the geographical areas. The cost of living including the average wage would have an influence on the sustainability of the fares in each area.
- 19. It will be the decision of the committee to determine whether or not the table of fares should be modified as a result of the calculations made. Any modifications will need to be determined by this committee.

STRATEGIC CONTEXT

- 20. The review of the Hackney carriage table of fares fits in with the Council's Key Priority of Regeneration and Economy.
- 21. The decision to carry out a review was made at the Licensing Committee on 12 December 2011.

CONSULTATION

- 22. Although it is not required at this stage, contact has been made with all Hackney carriage proprietors (136) by way of a letter.
- 23. The letter, attached as Appendix 3, explained that based on the approved calculation process and using the figures published by the AA in June 2012, the fares should not be increased this year.

- 24. All proprietors were asked to ensure that they consulted with their drivers and any comments they had were passed back to the Licensing Department for consideration by the Regulatory Committee.
- 25. There is no duty to consult with the trade at this stage, however it has been the wish of the previous Licensing General Purposes Committee that they have the opportunity to comment prior to any meeting to discuss any changes to the table of fares.
- 26. There has been no public consultation prior to this report. Should the committee determine that the table of fares has to be amended; the revised table of fares will need to be advertised as required by the Act. This is outlined at paragraph 40 of this report. Any objection will need to be considered by the committee before the final table of fares is set.
- 27. During the consultation period officers received telephone calls from two proprietors who disputed the cost of fuel being used in the calculation process. They both strongly believed the fuel figure should be considerably higher and that the table of fares should be increased.
- 28. One of these proprietors felt that the AA figures were not a true reflection of how much it costs to run a taxi. He felt that the maintenance and insurance costs were considerably higher than the figures included within the AA calculations and the council should increase the figures used. There was no suggestion of how much this should be.
- 29. Two written responses were received from taxi proprietors and have been attached as appendices 4 and 5 and a further written response (appendix 6) was sent to Councillor Brown following his written response to a public question requested at Full Council. The latter was from one of the proprietors who officers spoke to on the telephone.
- 30. The following is an outline of the first written response:
 - (a) The current price of fuel is approximately 10p per litre higher than the figure used in the calculation.
 - (b) There is a tax increase on fuel planned for next May.
 - (c) Fuel cost has risen by approximately 30p per litre since the 2010 fare increase.
 - (d) All businesses have to make a profit. The calculations only show running costs and wages being covered.
 - (e) The Private Hire Monthly publication league ranks the Isle of Wight Council at 193 out of 363. Twenty nine local authorities in southern England are ranked higher in the table, only one is lower.
 - (f) They feel an increase in the table of fares is essential.
- 31. The following is an outline of the second written response:
 - (a) Two thirds of the mileage island taxis do is not changeable, it is closer to one third or at the most fifty/fifty. This is due to the lack of understanding the public have about their ability to flag down a hackney carriage vehicle. This is because of the previous zoning due to the borough councils.

- (b) That an additional charge of 50p per passenger after two passengers is charged instead of using different tariffs.
- (c) Waiting time should be constant throughout all tariffs.
- (d) Proposed to reduce the flag drop to £2.40.
- (e) Reducing the distance from 440 yards to 200 yards when the fare increases. This would result in a fare increase equal to 10%.
- 32. The following is an outline of the written response to Cllr Brown:
 - (a) No other authority use the AA figures to calculate taxi fares,
 - (b) The fuel costs used in the calculation are not representative of the current fuel costs. The cheapest on the Island is £1.43.9 for diesel.
 - (c) Why do you use the average Isle of Wight Salary, not the national average of £27,503.05.
 - (d) The figure included for insurance is too low. Provided details of 8 premiums ranging from £2,300 to 3,350.
 - (e) The figure included for maintenance is too low. The AA figures refer to vehicles up to 3 4 years old. These cars still have warranty therefore not a true reflection on real costs.
 - (f) Paid mileage should be calculated on a 50% basis.

FINANCIAL / BUDGET IMPLICATIONS

- 33. Council expenditure on taxi related matters are balanced from income generated from fees. The fees are set by the council and represent the full costs of administering and the enforcement of matters relating to taxi licensing.
- 34. Should the committee decide to modify the table of fares, there will be a cost for the notice to appear in the local newspaper. This is expected to be approximately £250 and will be met from the existing budget.
- 35. Following any change to the tariffs in the table of fares, all the taximeters currently in use in licensed vehicles will need to be adjusted and re-sealed to reflect the amended maximum fares. There are currently 189 Hackney carriages on the Island, all of which will need to go through the process mentioned above. It is estimated that it will take ten minutes per vehicle, which totals 31.5 hours of officer time.
- 36. There will be a need to hire a suitable location for this to be undertaken. Newport Football Club's car park was hired for the last meter change in 2010 and is likely to cost approximately £150. Again this will be met from the existing budget.

CARBON EMISSIONS

37. There are no carbon emissions implications for the Isle of Wight Council in this report.

LEGAL IMPLICATIONS

38. The legislation relevant to licensing vehicles for hire and reward is Part II of the Local Government (Miscellaneous Provisions) Act 1976 ("The Act") and The Town Police Clauses Act 1847.

- 39. Section 65 of the Act allows the council to fix the rates or fares within the district for time, distance and all other charges in connection with the arrangements for the hire of a Hackney carriage.
- 40. The table of fares on the island have been set by the local authorities for over 30 years. Officers have reference to a byelaw dating back to the early 1970s.
- 41. If a council proposes to amend its table of fares, a notice to that effect must be published in the local newspaper setting out the proposed table of fares or the variation thereof and specify the period in which people can object. This period shall be a minimum of 14 calendar days. A copy of the notice is to be available at the council offices for public inspection for no less than 14 calendar days.
- 42. If no objections are received or the objections submitted are withdrawn the proposed variations come into effect on the date stated in the notice or the day the objections are withdrawn, which ever is later.
- 43. The local authority must consider any comments received during the consultation period. It must also publish a revised implementation date whilst these comments are being considered. The revised date must be within two months of the original implementation date. It is advised that the matter is brought back for committee decision if objections remain outstanding at the end of the first published date.
- 44. There is no right of appeal against the level at which the council determines the table of fares. However, any decision taken by the Regulatory Committee may be liable to legal challenge by way of judicial review.
- 45. There is no statutory method of calculating the fares. Any method used by this authority to calculate the fees should be fair, transparent and reasonable.

EQUALITY AND DIVERSITY

46. The Stage 1, Initial Screening Section of an Equalities Impact Assessment (EIA) has been completed, which has indicated that a full EIA will need to be completed if the Table of Fares is amended and a public consultation has been completed.

PROPERTY IMPLICATIONS

47. There are no property implications.

OPTIONS

- 48. Option 1: To continue to use the current calculation method using AA figures amended to reflect local costs (paragraphs 62,63 and 64) to calculate the Table of Fares.
- 49. Option 2: To continue to use the AA figure to calculate the table of fares and to include a profit element.

- 50. Option 3: To not use the AA figures when calculating the table of fares and invite a further report outlining an alternative method of calculation.
- 51. Option 4: To make no changes to the existing table of fares.
- 52. Option 5: To modify the table of fares <u>as outlined</u> in appendix 8 and carry out public consultation on the proposed amendments by way of formal notice for a period of 14 days in the County Press as required by the legislation. If no objections remain outstanding then the fares shall come into effect. If objections are received then the matter is brought back to committee for consideration.
- 53. Option 6: To modify the table of fares <u>different to</u> Appendix 8 and carry out public consultation on the proposed amendments by way of formal notice for a period of 14 days in the County Press as required by the legislation. If no objections remain outstanding then the fares shall come into effect. If objections are received then the matter is brought back to committee for consideration.
- 54. Option 7. To not set a Hackney carriage table of fares.

RISK MANAGEMENT

- 55. With regard to Option 1: Should the committee decide to continue to use this calculation process they may continue to receive challenges as to the appropriateness of the calculation method. It is for the council to decide how they wish to calculate the table of fares. However it is important that the figures used do reflect local costs. There is no right of appeal against this decision, although the decision may be challenged by way of judicial review.
- 56. With regard to Option 2: Should the committee decide to continue to use this calculation process and add a profit element they may continue to receive challenges as to the appropriateness of the calculation method and what amount should be added as a profit element. It is for the council to decide how they wish to calculate the table of fares. There is no right of appeal against this decision, although the decision may be challenged by way of judicial review
- 57. With regard to Option 3: Should the committee decide not to use the AA figures when calculating the table of fares a further paper detailing the calculation method and recommended fares will need to be produced for determination by this committee. The council could still continue to receive challenges as to the appropriateness of the calculation method which may be agreed. It is for the council to decide how they wish to calculate the table of fares. There is no right of appeal against this decision, although the decision may be challenged by way of judicial review
- 58. With regard to Option 4: Should the committee decide to make no amendments to the existing table of fares, there is no right of appeal against this decision, although the decision may be challenged by way of judicial review it should be noted that the fares set by the council are maximum fares, drivers can charge a lower amount if they wish.

- 59. With regard to Option 5: Should the committee determine a proposed increase to the maximum fare Hackney Carriage proprietors may charge, there is a risk of a detrimental impact on the number of customers using taxis and therefore a subsequent financial impact on taxi proprietors through lack of custom. Any proposed changes will require a public consultation for a minimum period of 14 days. Any representation received during this period must be considered by this committee and a table of fares will need to be adopted. There is no right of appeal against this decision, although the decision may be challenged by way of judicial review.
- 60. With regard to Option 6: Should the committee determine a proposed increase to the maximum fare Hackney Carriage proprietors may charge, there is a risk of a detrimental impact on the number of customers using taxis and therefore a subsequent financial impact on taxi proprietors through lack of custom. Any proposed changes will require a public consultation for a minimum period of 14 days. Any representation received during this period must be considered by this committee and a table of fares will need to be adopted. There is no right of appeal against this decision, although the decision may be challenged by way of judicial review.
- 61. With regard to Option 7: Should the committee determine not to set a table of fares taxi proprietors will be at liberty to set their own fee structure. This could lead to inconsistent fee charges and confusion to the general public. Potentially this could impact adversely on different groups of people such as those on low income, vulnerable or those who do not have the ability or knowledge to challenge and negotiate a fare.

EVALUATION

62. Setting a Table Of Fares

With reference to paragraph 53 and the option not to set a table of fares, as far as officers are aware there has never been a request from either the public or trade to not do this. Although the act does not make it a requirement of the local authorities it is a sensible approach and one which is welcomed by both the public and trade.

The vast majority of local authorities in England do set a table of fares for Hackney carriages. By setting the fares the local authority can ensure that there is consistency in what is being charged and any groups are not disadvantaged. Competition can still remain between drivers as the fares are the maximum and a cheaper fare could be negotiated

The Department for Transport sees it as good practice to review the fare scales at regular intervals, including any graduation of the fare scale by time of day or day of the week. The department also suggests that in reviewing fares authorities should pay particular regard to the needs of the travelling public, with reference both to what it is reasonable to expect people to pay but also to the need to give taxi drivers sufficient incentive to provide a service when it is needed."

Officer's recommend that the committee determines to set a table of fares.

63. Fuel Costs (26, 29a-c & 31b)

The fuel costs used in the initial calculations supplied to the proprietors was the national average in June 2012 supplied by the AA. The proprietors were right to challenge these figures as they were considerably less than the current fuel costs on the Island.

The Department of Energy and Climate Change (DECC) has reported that the retail prices for fuel peaked in April this year when the average cost per litre was 141.7p for petrol and 147.8 for diesel. Although these prices have reduced, DECC have reported a steady increase from mid-July.

There is an expectation that fuel prices will increase significantly next year. The large fluctuations in fuel costs experienced during 2012, often changing by over 10p per litre makes it very difficult to predict the cost of fuel over the coming year.

Officers agree that the current local fuel costs should be used in this year's calculations. In the revised calculations, officers have increased the AA figures by 10p per litre as suggested by written submission 1. These fuel costs are higher than the current fuel costs.

64. Additional Insurance Costs (27 & 31d)

Within the AA costs there is an amount allocated for insurance. Based on a car costing up to £27,000 new, £1,139 is included for a diesel car and for petrol £1,106.

The mean average for 106 (the number who provided details on renewal) Hackney carriage vehicles on the Island was £1,463.79. The amounts recorded were wide ranging with the cheapest being £700 and the most expensive £6,500. The median average was £1,112.40 and the mode average £1,200.

These costs are the actual amount the proprietors have to pay; it does not reflect what the premium would have been without no claims discount.

Taking into account the comments received and the average of premiums, officers propose and have added an additional £400 for insurance is added to revised calculations.

65. Additional Servicing and Maintenance Costs (27 & 31e)

The AA figures used in the calculation in appendix 2 are for a vehicle doing 30,000 miles a year, £2,400 is allocated for petrol cars (value up to £25,000 new) and £2,300 for diesel cars (value up to £27,000 new) to cover the servicing and maintenance costs.

However officers do accept that tyres, brakes and other parts could deteriorate quicker due to the frequency the taxis are on the road and that they are likely to have a greater number of passengers than a normal domestic vehicle.

Taking into account the comments received officers have added an additional £500 to revised calculations for servicing and maintenance.

66. No Profit Element (29d)

Currently there is no profit element included within the current calculation process, although the cost per mile calculated each year is compared to the cost per mile permitted by the table of fares.

Larger profit margins are achieved on the higher tariffs; however proprietors may pay higher salaries for drivers working unsociable hours which would increase the cost per mile.

Determining how much profit should be would be very difficult, different businesses run on different profit margins. The licensing section is aware that a number of taxi businesses do advertise lower rates than those currently on the table of fares. However many do charge the fares as prescribed and displayed on the meters at the end of each journey.

Officers suggest if the revised cost per mile exceeds the table of fares a fare increase should be considered.

67. Paid Mileage (30a & 31f)

Paid mileage is the mileage undertaken by the taxi where a fare can be charged. The taxi will undertake miles where a fare cannot be charged e.g. private trips and returning to the rank without customers on board.

There is the ability for drivers to now collect a fare from any rank on the island or respond to a member of the public stopping them anywhere on the island. They do not have to return to their home town or rank before they collect a fare. All drivers are aware of this therefore they have the ability and potential to have more than two thirds of the mileage they undertake paid for by customers.

Brighton and Hove use 60% of the annual miles as paid miles.

Officers are satisfied that 20,000 miles of the average 30,000 (66%) is a fair representation of what could be paid mileage, however it is appreciated that this may not be representative of all taxis.

68. Additional Passenger Charge (30b)

When the fares were revised in 2010 the committee determined to remove the extra passenger charge. Members considered that the majority of island taxis are licenced to take up to four passengers so the tariff should reflect the total number permitted. The ability to charge a higher tariff for the vehicles which have the capacity and do carry five or more passengers was agreed.

The council have not received any complaints from the public regarding the fare structure and therefore officers see no valid reason for reverting back to the previous fare structure.

69. Waiting Time (30c)

Waiting time is applied automatically every minute by the meter when the taxi is stationary in traffic. The costs of journeys could substantially increase if vehicles are caught in traffic jams. It has been suggested by drivers that fares can increase as much as £3.00 on some journeys.

Keeping the waiting time value the same throughout the tariffs would not compensate for additional wages drivers may be paid during unsociable hours.

Officers do not support that waiting times should be the same throughout all tariffs. They do support an increased amount for the tariffs covering the unsociable hours; therefore the proposal is for the waiting time fare for tariffs one and two are the same and tariffs three and four are the same.

70. Reducing the Flag Drop (30d)

The suggestion of reducing the flag drop will reduce the costs of the shorter journeys depending on how much the incremental charge/cost per mile is. To maintain or increase the fare the incremental/cost per mile charge will have to increase considerably. Many of the trips undertaken during the day time are of a shorter distance; an example would be people returning home with shopping.

Officers' support leaving the flag drop at £3.00.

71. Amending the Distance before Additional Increments are added (30e)

The current table of fares adds an additional amount at the beginning of every ¼ of a mile. This has been in place for many years and is familiar to both the trade and public. This method is to the advantage of the taxi operator as the passenger pays for the full amount for the ¼ mile before it is fully completed.

As suggested, reducing the distance before an increment is added to every 200 yards will increase the fare, however 200 yards does not divide equally into mile. This will make if difficult for customers to calculate their fare.

Officers believe that maintaining a ¼ mile incremental rate is recognised by both the trade and the public and provides an easy way for both to calculate journey costs quickly. Changing the incremental distance could cause unnecessary confusion.

72. Using the AA Figures (31a)

There is no standard method for calculating fares. Each local authority has to determine how the fares should be calculated or determined.

Some local authorities do enter into a more in depth calculation process similar to the one used by this authority. However it is common practice amongst many authorities to liaise with their local taxi associations or simply add a % increase based on the current level of inflation.

The general principal of incorporating the cost of the vehicle, fuel, average salary, maintenance and insurance is utilised by the London Public Carriage Office who set fares for London Cabs. This process has been used since 1981.

Officers are aware from The National Taxi Association (NTA) that the calculation process used by this authority is the same as the methods used by Brighton and Hove and Blackpool Councils. Those local authorities have confirmed this, and have advised that they also apply some or all of the following:

Alternative values for salary

- Adjustments for insurance and maintenance
- Reviews only undertaken when the local taxi forum submits a request for review of the table of fares

Officers also discussed the calculation process with Private Hire Monthly who supported the current calculation process as suitable and sufficient. However they did support recognition of local fuel costs or additional expenditure incurred by taxi proprietors for maintenance and insurance.

Officers consider that the system used by this authority is fair and proportionate; however they recognise that the AA figures may not be representative of local fuel costs, therefore these figures should be adjusted.

73. Salaries (31c)

The salary used in the calculations is the national average for taxi cab drivers and chauffeurs for 2011. An additional 9.2% has been added as recommended by the National Statistics Office to make it more representative to 2012.

Brighton and Hove use the Annual Survey of Hours and Earnings data for their salary figure. They use the national average weekly wage for all full time workers.

Officers are satisfied that the salary used is the correct amount; it is the national average and specific to the profession of a taxi driver.

- 74. A revised fares calculator has been attached as appendix 7 using the current figures supplied by the AA, local fuel prices and the additional costs outlined in the evaluation section of this report.
- 75. The revised calculation has increased the running cost per mile and therefore would suggest the table of fares should be modified.
- 76. Taking into account the revised calculations, the comments received and the national and southern averages officers have produced a revised table of fares, attached as appendix 8.
- 77. Members should note that the following amendments are being proposed:
 - (a) Tariff 1 cost per mile is increased to £1.80 (45p per ¼ of mile);
 - (b) The waiting amount permitted for tariff 2 reduced to 40p per minute;
 - (c) The waiting amount permitted for tariff 4 reduced to 80p per minute.
- 78. Officers have only suggested that tariff 1 is altered, in the past the tariffs have increased proportionately. The authority can set tariffs they feel appropriate, officers believe there is no need to increase tariffs 2, 3 and 4 as they are already significantly inflated and are appropriate fares for the time or size of vehicle they relate to.
- 79. To enable Members to easily assess the changes the proposed revised table of fares will make to the current fares and to compare them against national and southern averages, officers have produced the following table using tariff one:

Distance	Current	Proposed	Average - South	Average - Nat
2 miles	£5.40	£5.70	£5.92	£5.46
5 miles	£10.20	£11.10	£11.69	£10.89
10 miles	£18.20	£20.10	£21.48	£19.77

80. When modifying the table of fares, the committee should balance the needs of the proprietors without compromising the interests of the public.

RECOMMENDATION

81. Option 1: To continue to use the current calculation method using AA figures amended to reflect local costs (paragraphs 62, 63 and 64) to calculate the Table of Fares.

And

82. Option 5: To modify the table of fares <u>as outlined</u> in appendix 8 and carry out public consultation on the proposed amendments by way of formal notice for a period of 14 days in the County Press as required by the legislation. If no objections remain outstanding then the fares shall come into effect. If objections are received then the matter is brought back to committee for consideration.

APPENDICES ATTACHED

Appendix 1	Current Hackney Carriage Table of Fares
Appendix 2	Fares Calculator 2012 using AA figures for June
Appendix 3	Letter sent to proprietors
Appendix 4	Consultation response 1
Appendix 5	Consultation response 2
Appendix 6	Consultation response 3
Appendix 7	Revised fares calculator following consultation
Appendix 8	Proposed revised Hackney Carriage Table of Fares

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